

February 8, 2012

**Reid Announces Senate Will Not Consider Budget for Third Year in a Row**

On Friday of last week, Senator Harry Reid stated: “We do not need to bring a budget to the floor this year... It’s done, we don’t need to do it.” His argument is that the Budget Control Act was the FY 2013 budget resolution because it set *caps* on discretionary spending for FY 2013, even though it does not include any of the other elements of a budget resolution (numbers for proposed mandatory spending, revenue, deficits, debt, etc.). Because of this announcement, Senate Democrats will have failed to bring a budget resolution to the floor in 2010, 2011, and 2012.

**Expedited Legislative Line Item Veto Act and Rescissions Act on Floor Today**

**Today**, the House will consider H.R. 3521, the Expedited Legislative Line Item Veto and Rescissions Act. In general, the legislation allows the President to propose rescissions within 45 days of enactment of legislation, **and sets up a process requiring Congress to consider the President’s request within an expedited timeline.** The President’s authority under the bill would only apply to discretionary spending. Funds rescinded are to be used for deficit reduction. To enforce that requirement, the 302(b) allocations are required to be lowered by the amount of any rescissions approved.

Prior to the Budget Control and Impoundment Act of 1974, the President often did not spend, or “impounded,” money appropriated by Congress. The 1974 Act took away the President’s authority to refuse to spend appropriations, but allowed presidents to propose rescissions. This presidential authority was severely limited in that Congress was under no requirement to consider the President’s request.

**Quote of the Week:**

*“Some debts are fun when you are acquiring them, but none are fun when you set about retiring them.”*

**-Ogden Nash**

As part of the Contract with America, the new Republican Congress enacted the Line Item Veto Act of 1996. This legislation was struck down by the Supreme Court 6 to 3 in 1998 (*Clinton v. New York City*). Thereafter, fiscal conservatives worked on legislation to achieve the same goal without constitutional objections. H.R. 4890, authored by Representative Paul Ryan (R-WI), passed the House in 2006 but not the Senate in the 109<sup>th</sup> Congress. The legislation became part of the RSC’s Family Budget Protection Act in several Congresses.

**House Passes Budget and Accounting Transparency Act**

**Yesterday**, the House passed H.R. 3581, the Budget and Accounting Transparency Act, by a vote of 245 to 180. The legislation requires federal credit programs to be accounted for on a **fair value** accounting basis. This means that federal accounting would have to consider not just the borrowing costs to the federal government, but *also* the cost of the market risk the federal government is incurring. The purpose of the bill is to bring federal budgeting practices in line with the private-sector in order to paint a more accurate picture of federal finances. Other items of note in H.R. 3581:

**Brings Fannie Mae and Freddie Mac On-Budget:** The legislation adds the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation to the President’s budget request, the congressional budget resolution, and the Balanced Budget and Emergency Deficit Control Act of 1985. This would cause the budget implications of the federal government’s responsibility for Fannie Mae and Freddie Mac to be reflected in budget data.

**Study on Budgeting for Costs of Federal Insurance Programs:** The bill requires, within a year of enactment, the Directors of OMB and CBO to prepare studies, and make recommendations, on “the feasibility of applying fair value concepts to budgeting for the costs of Federal insurance programs.” These programs are currently accounted for on a cash flow basis.

**Disclosure of Agency Budget Justifications:**

The legislation requires agencies to post budget justification documents publicly online whenever the justification is sent to any committee in the House or Senate. The legislation also requires these documents be searchable and easily readable.





## Debt Crisis A Lot Worse Than Washington Will Admit

Rep. Scott Garrett

Have you ever received a bill in the mail only to find it chock-full of hidden costs and fees? Few things frustrate consumers more than a lack of transparency in their transactions and purchases.

Why, then, is it acceptable for the federal government to pull the same veil of deception over the heads of the American taxpayers?

Unless you've been living on Mars, it shouldn't surprise you to hear our country is broke. However, what should surprise you is that the true extent of our country's debt crisis is a lot worse than anyone is letting on.

How much worse? That's the thing, nobody knows; and we won't know until we reform our budget and accounting standards.

Fortunately, House Republicans took a step in the right direction yesterday when we passed H.R. 3581, the Budget and Accounting Transparency Act of 2011, a bill I introduced in December as part of a comprehensive set of reforms to fix Washington's broken budget process.

Specifically, this bill recognizes the budgetary impact of government-sponsored enterprises Fannie Mae and Freddie Mac by bringing these black holes of debt out from the shadows and on-budget, and requires that the federal government apply the same credit accounting standards as the private sector when making or guaranteeing loans.

Why are these reforms important? Let's take a trip down memory lane.

In September 2008, as the country was reeling from the fallout from the financial collapse, Fannie and Freddie were placed into conservatorship by the Federal Housing Finance Agency.

Under this agreement, FHFA took control of the two companies and the Treasury Department risked hundreds of billions of taxpayer dollars to bail them out.

To date, the American taxpayers have sunk over \$183 billion and counting into these failed institutions. As if this weren't enough, Fannie and Freddie have also issued more than \$1.2 trillion in debt and hold or guarantee about \$5.3 trillion in mortgage-backed securities.

Because Fannie and Freddie have become the explicit financial responsibility of the federal government, it only makes sense that we treat them the same as we would any other obligation of the federal government by formally bringing them on-budget.

The combined debt obligation of Fannie and Freddie isn't the only black cloud hanging over us; inaccuracies and a lack of transparency in budgeting for federal credit programs also loom large.

Take the case of Solyndra, for example -- the poster child of government loans gone bad. As we saw with the Obama administration's \$527 million "investment" into the California-based solar energy company, when Washington makes a bad bet, it's the American taxpayers left holding the bag.

The Budget and Accounting Transparency Act fixes this shortcoming by requiring market risk to be explicitly included in estimates of federal credit programs, bringing federal budgeting practices in line with what's long been standard practice in the private sector.

Specifically, it requires the executive branch and Congress to use "fair value" accounting in calculating the costs of federal credit programs that consider not only the borrowing costs of the federal government, but also the costs of the market risk the federal government is incurring by issuing a loan or loan guarantee.

While the Budget and Accounting Transparency Act won't prevent future presidents from making similarly risky bets, at least it will force them to be honest with the American people about the true cost of their boondoggles.

If we truly are committed to reversing our country's race toward bankruptcy, we need to be honest with ourselves and the American people by bringing all of our existing liabilities into the light of day.